

108TH CONGRESS  
1ST SESSION

# H. R. 1536

To amend the Internal Revenue Code of 1986 to treat distributions from publicly traded partnerships as qualifying income of regulated investment companies, and for other purposes.

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## IN THE HOUSE OF REPRESENTATIVES

APRIL 1, 2003

Mr. HERGER (for himself, Mr. JEFFERSON, Mr. CRANE, Mr. HAYWORTH, Mr. MCINNIS, Mr. RAMSTAD, Mr. SAM JOHNSON of Texas, Mr. BECERRA, Mr. HOUGHTON, and Mr. FOLEY) introduced the following bill; which was referred to the Committee on Ways and Means

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## A BILL

To amend the Internal Revenue Code of 1986 to treat distributions from publicly traded partnerships as qualifying income of regulated investment companies, and for other purposes.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*

3       **SECTION 1. SHORT TITLE.**

4       This Act may be cited as the “Publicly Traded Part-  
5       nership Equity Act of 2003”.

1 **SEC. 2. DISTRIBUTIONS FROM PUBLICLY TRADED PART-**  
 2 **NERSHIPS TREATED AS QUALIFYING INCOME**  
 3 **OF REGULATED INVESTMENT COMPANIES.**

4 (a) IN GENERAL.—Paragraph (2) of section 851(b)  
 5 of the Internal Revenue Code of 1986 (defining regulated  
 6 investment company) is amended by inserting “distribu-  
 7 tions or other income derived from an interest in a publicly  
 8 traded partnership (as defined in section 7704(b)),” after  
 9 “dividends, interest,”.

10 (b) SOURCE FLOW-THROUGH RULE NOT TO  
 11 APPLY.—The last sentence of section 851(b) of such Code  
 12 is amended by inserting “(other than a publicly traded  
 13 partnership (as defined in section 7704(b)))” after “de-  
 14 rived from a partnership”.

15 **SEC. 3. SPECIAL PASSIVE ACTIVITY RULE FOR PUBLICLY**  
 16 **TRADED PARTNERSHIPS TO APPLY TO REGU-**  
 17 **LATED INVESTMENT COMPANIES.**

18 Subsection (k) of section 469 of the Internal Revenue  
 19 Code of 1986 (relating to separate application of section  
 20 in case of publicly traded partnerships) is amended by  
 21 adding at the end the following new paragraph:

22 “(4) APPLICATION TO REGULATED INVEST-  
 23 MENT COMPANIES.—For purposes of this section, a  
 24 regulated investment company (as defined in section  
 25 851) holding an interest in a publicly traded part-  
 26 nership shall be treated as a taxpayer described in

1 subsection (a)(2) with respect to items attributable  
2 to such interest.”.

3 **SEC. 4. EFFECTIVE DATE.**

4 The amendments made by this Act shall apply to tax-  
5 able years beginning after the date of the enactment of  
6 this Act.

